

Section 1

**Railroad Commission
Summary of Recommendations - House**

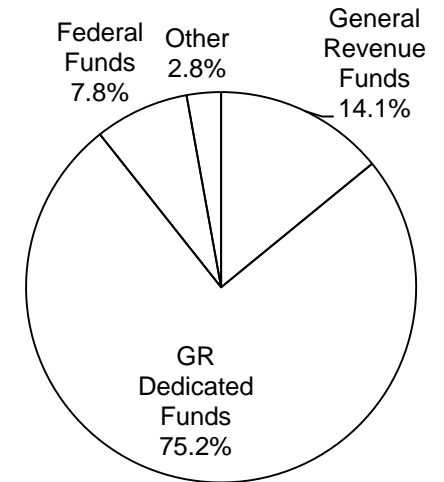
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Milton Rister, Executive Director

Tina Beck, LBB Analyst

Method of Financing	2014-15 Base	2016-17 Recommended	Biennial Change	% Change
General Revenue Funds	\$26,470,883	\$23,884,554	(\$2,586,329)	(9.8%)
GR Dedicated Funds	\$133,169,729	\$127,578,236	(\$5,591,493)	(4.2%)
<i>Total GR-Related Funds</i>	<i>\$159,640,612</i>	<i>\$151,462,790</i>	<i>(\$8,177,822)</i>	<i>(5.1%)</i>
Federal Funds	\$13,734,968	\$13,269,410	(\$465,558)	(3.4%)
Other	\$4,809,767	\$4,812,914	\$3,147	0.1%
All Funds	\$178,185,347	\$169,545,114	(\$8,640,233)	(4.8%)

	FY 2015 Budgeted	FY 2017 Recommended	Biennial Change	% Change
FTEs	807.1	800.1	(7.0)	(0.9%)

**RECOMMENDED FUNDING
BY METHOD OF FINANCING**

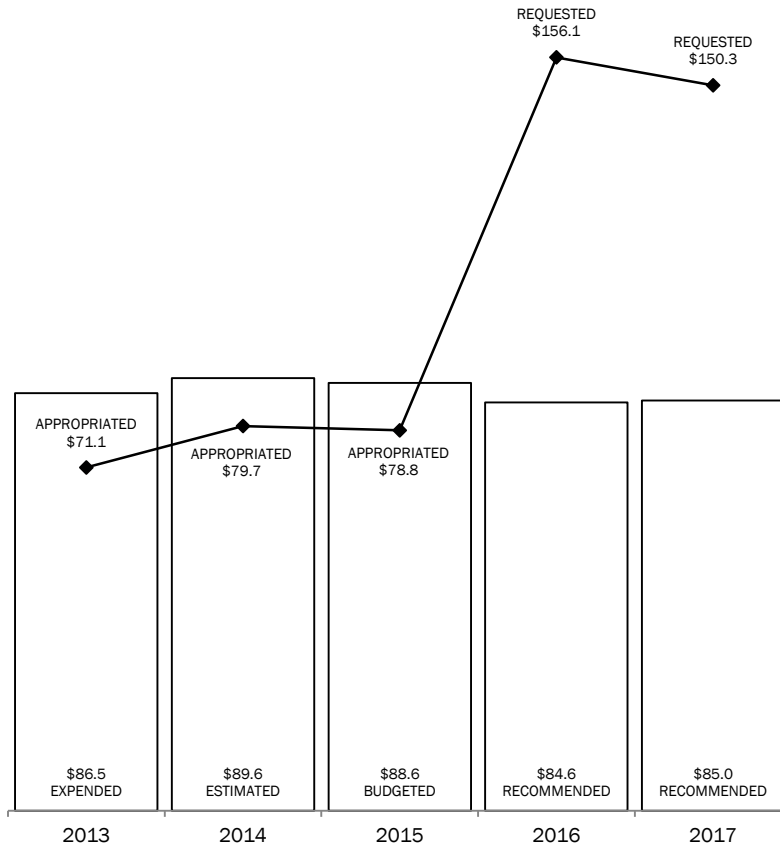


The bill pattern for this agency (2016-17 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2016-17 biennium.

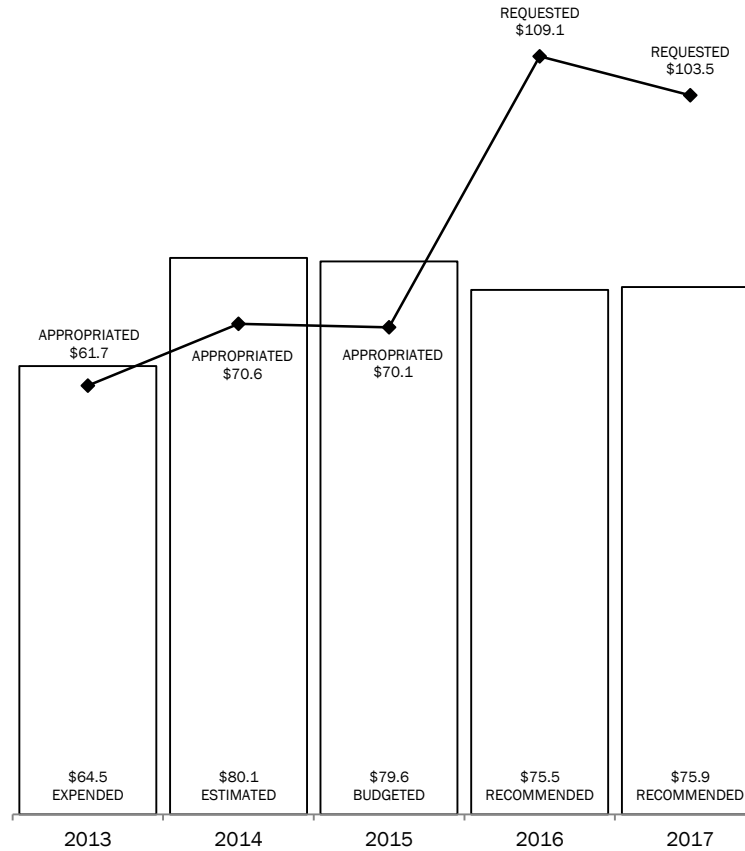
Section 1
Railroad Commission
 2016-2017 BIENNIUM
 IN MILLIONS

TOTAL= \$169.6 MILLION

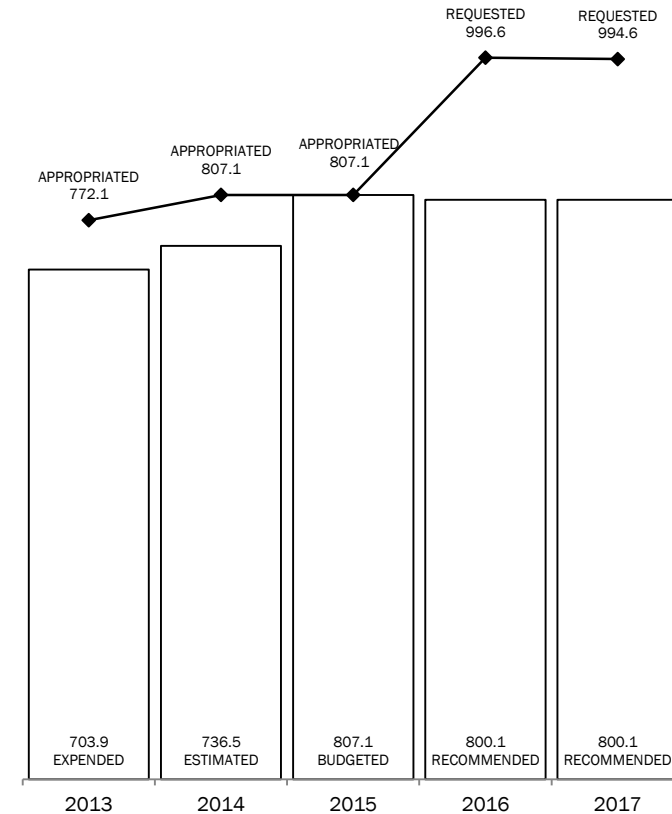
ALL FUNDS



**GENERAL REVENUE AND
 GENERAL REVENUE-DEDICATED FUNDS**



FULL-TIME-EQUIVALENT POSITIONS



In FY 2013 expended amounts exceeded appropriated amounts primarily because of unexpended balances carried forward from FY 2012, and various fees received in excess of Comptroller revenue estimates. In FY 2014 and FY 2015 expended amounts exceeded appropriated amounts primarily because of unexpended balances carried forward from FY 2013 for IT Modernization projects.

Section 2

**Railroad Commission
Summary of Recommendations - House, By Method of Finance -- ALL FUNDS**

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
ENERGY RESOURCE DEVELOPMENT A.1.1	\$33,441,400	\$33,172,951	(\$268,449)	(0.8%)	Recommendations include a net decrease of \$0.3 million out of General Revenue-Related accounts, which includes a decrease of \$0.6 million for one-time implementation costs of IT modernization, offset by increases to biennialize the statewide pay raise (\$0.2 million) and an agency-requested reallocation for capital budget projects and other operating expenses (\$0.1 million). (See Selected Fiscal and Policy Issue - House No. 1(a) and Items not Included in Recommendations - House No. 1.)
PROMOTE ALTERNATIVE ENERGY RESOURCE A.2.1	\$4,055,873	\$2,247,000	(\$1,808,873)	(44.6%)	Recommendations include a net decrease of \$1.8 million out of General Revenue-Related accounts, including 7.0 FTEs, for the Alternative Fuels Research and Education Division. See Selected Fiscal and Policy Issue No. 3 and Summary of 10 Percent Biennial Base Reduction Options - House, Agency Option No. 1 and Items not Included in the Recommendations – House, No. 1.
Total, Goal A, ENERGY RESOURCES	\$37,497,273	\$35,419,951	(\$2,077,322)	(5.5%)	
PIPELINE SAFETY B.1.1	\$15,300,544	\$15,020,575	(\$279,969)	(1.8%)	Recommendations include a net decrease of \$0.3 million from All Funds, which includes a decrease of \$0.2 million in Federal Funds for completed pipeline safety projects; a decrease of \$0.2 million for one-time Appropriated Receipts, offset by an increase of \$0.1 million in General Revenue to biennialize the statewide pay raise.
PIPELINE DAMAGE PREVENTION B.1.2	\$2,473,753	\$2,564,108	\$90,355	3.7%	
REGULATE ALT ENERGY RESOURCES B.2.1	\$4,126,381	\$3,052,085	(\$1,074,296)	(26.0%)	Recommendations include a net decrease of \$1.1 million from General Revenue for the Alternative Energy Division Online Project (LP) and the Gas Services Online Project, both IT modernization projects that cannot be completed without supplemental funds. (See Selected Fiscal and Policy Issue – House, No. 1(a) and Items not Included in Recommendations - House No. 1.)
Total, Goal B, SAFETY PROGRAMS	\$21,900,678	\$20,636,768	(\$1,263,910)	(5.8%)	

Section 2

**Railroad Commission
Summary of Recommendations - House, By Method of Finance -- ALL FUNDS**

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
OIL/GAS MONITOR & INSPECTIONS C.1.1	\$46,320,684	\$42,554,196	(\$3,766,488)	(8.1%)	Recommendations include a net decrease of \$3.8 million out of the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155, which includes a decrease of \$3.5 million for one-time implementation costs of IT modernization, a one-time purchase of Infrared Cameras, and offset by an increase to biennialize the statewide pay raise (\$0.3 million). (See Selected Fiscal and Policy Issue – House, No. 1(a) and 1(d) and Items not Included in Recommendations – House, No. 1.)
SURFACE MINING MONITORING/INSPECT C.1.2	\$7,280,182	\$7,581,927	\$301,745	4.1%	
OIL AND GAS REMEDIATION C.2.1	\$11,244,724	\$10,837,056	(\$407,668)	(3.6%)	
OIL AND GAS WELL PLUGGING C.2.2	\$38,063,798	\$37,785,113	(\$278,685)	(0.7%)	
SURFACE MINING RECLAMATION C.2.3	\$6,529,560	\$6,465,934	(\$63,626)	(1.0%)	
GAS UTILITY COMMERCE C.3.1	\$5,368,076	\$4,592,529	(\$775,547)	(14.4%)	Recommendations include a net decrease of \$0.8 million from General Revenue for the Gas Services Online Project, an IT modernization project that cannot be completed without supplemental funds. (See Selected Fiscal and Policy Issue – House, No. 1(a) and Items not Included in Recommendations - House, No. 1.)
Total, Goal C, ENVIRONMENTAL & CONSUMER	\$114,807,024	\$109,816,755	(\$4,990,269)	(4.3%)	
PUBLIC INFORMATION AND SERVICES D.1.1	\$3,980,372	\$3,671,640	(\$308,732)	(7.8%)	
Total, Goal D, PUBLIC ACCESS TO INFO AND SERVICES	\$3,980,372	\$3,671,640	(\$308,732)	(7.8%)	
Grand Total, All Strategies	\$178,185,347	\$169,545,114	(\$8,640,233)	(4.8%)	

Section 3

Railroad Commission Selected Fiscal and Policy Issues - House

1. IT Modernization Projects

The Eighty-third Legislature provided the Railroad Commission (RRC) \$24.7 million in General Revenue-Related Funds for Information Technology (IT) Modernization Projects, including 11.0 FTEs. LBB recommendations begin with the agency's 2016-17 baseline request for IT Modernization Projects and incorporate the following adjustments:

- a. ***Maintain Ongoing Costs of Completed IT Modernization Projects***: Recommendations maintain \$9 million in the 2016-17 biennium for ongoing maintenance of the new projects, along with the 11.0 FTEs.

Projects implemented in the 2014-15 biennium and ongoing in the 2016-17 biennium include the following:

- Agency Enforcement and Compliance Project: tracks compliance information and related activity resulting from field inspections and complaints.
- Oil and Gas Permitting and Online Filing: allows for online permitting and filing of required documentation and improves access to agency-maintained historical data
- Pipeline Online Permitting Project: allows operators online reporting of mandated data and allows the regulated community to check the status of current and past filings.
- Operator Portal Project: a portal for all agency online applications across all divisions, allows users to interface with agency systems; provides a means to communicate between the public and the agency.
- Geographic Information System (GIS) Technology Upgrade: a mapping system that links geographic locations of wells with agency-maintained data, including production data.

The agency determined it had insufficient funds to complete the following two other projects in 2014-15:

- Alternative Energy Division (AED) Online Project: an automated system to streamline Liquid Petroleum (LP)-Gas Information System (LIS) processing and improve accuracy and data integrity for new and renewed company licenses, manager's and employee's certifications, exempt registrations, completion reports, Liquefied Petroleum Gas/Compressed Natural Gas/Liquefied Natural Gas (LPG/CNg/LNG) safety inspections, accident and complaint investigations, and non-compliance and cease-operation notices.
- Gas Services Online Project: online filings of electronic tariff, mandated reports, tax payments and communications between the public and the RRC

After spending \$0.2 million in the 2014-15 biennium bidding out the projects, it was determined that total costs of \$7.7 million (AED Online - \$3.7 million; Gas Services Online - \$4 million) would exceed the remaining \$1.9 million available budget.

Because the agency only had \$1.6 million available for the two projects in the 2016-17 baseline request, recommendations did not include this amount which was included in reductions described in Selected Fiscal and Policy Issue – House No. 1(a).

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- b. **Maintain Current Obligations for Data Center Services (DCS):** Recommendations include a reallocation of \$9.3 million in General Revenue-Related Funds (\$0.6 million from General Revenue and \$8.7 million from the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155) and an increase in capital budget authority to reflect costs of maintaining current obligations for DCS. The source of the reallocated amounts are from what otherwise would have been savings from one-time implementation costs for the agency's IT Modernization Projects. This amount added to the \$8.4 million included in the recommendations for DCS costs that predate the modernization projects brings the total amount provided for DCS in the 2016-17 biennium to \$17.7 million, and reflects a 110 percent increase in costs.

Budget Drivers Causing the Growth in DCS Costs: The agency reports when it first developed its request of \$24.7 million for IT Modernization projects, it had estimated that related DCS costs would be no more than \$1.6 million of this amount, with \$1.2 million for ongoing maintenance in the 2016-17 biennium. Instead, DCS costs related to the IT Modernization projects were \$3.4 million in the 2014-15 biennium. According to DIR, the growth in DCS costs related to the projects primarily were in the following categories:

- New software, including a licensing agreement with Oracle (60 percent);
- New servers (17 percent); and,
- Cloud-based database administration services to support agency applications (16 percent)

Through the DCS contract, the agency also pays for one full-time contract Xerox employee to address all of the agency's DCS needs.

- c. **Balances of IT Modernization Implementation Costs Swept.** After leaving amounts for ongoing costs and DCS costs for current obligations, recommendations include a decrease of \$6.4 million in General Revenue-Related Funds (\$2.3 million from General Revenue and \$4.2 million from the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155) to reflect the savings of one-time implementation costs of agency IT Modernization projects in the 2016-17 biennium compared to 2014-15 spending levels. (See Items Not Included in Recommendations - House No. 1.)
2. **Scale Funding to Vehicle Replacement Cycles:** Recommendations include a decrease of \$207,340 in General Revenue-Related Funds (\$77,202 from General Revenue and \$130,138 from the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155) in agency-requested amounts for vehicle replacement cycles. Recommended funding levels provide \$468,000 in fiscal year 2016 and \$702,000 in fiscal year 2017 to replace an estimated 39 light duty trucks which will have mileage meeting or exceeding 150,000 miles as of August 31, 2017. Recommended funding levels exceed 2014-15 appropriated levels by \$68,128.

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3. **Reduction for One-Time Purchase of Infrared Cameras.** Recommendations include a decrease of \$594,650 from the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155 for one-time purchases of Infrared Cameras. In FY 2014, the agency purchased infrared cameras for inspectors of gas facilities. The cameras help an inspector identify whether there are gas leaks in a facility, or if an area is safe to enter.
4. **Reduction of General Revenue-Related Funding for the Alternative Fuels Research and Education Division (AFRED).** Recommendations include a decrease of \$1.9 million in General Revenue-Related Funds (\$0.5 million from General Revenue and \$1.4 million from the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155), including 7.0 FTEs. The 16.4 FTEs remaining in recommendations for Strategy A.2.1, Promote Alternative Energy Resources, would be funded from Appropriated Receipts collected in seminar registration fees (\$2.2 million). After taking into account reductions made in Selected Fiscal and Policy Issue - House No. 1(c), the recommendations eliminate General Revenue-related funding for the program as reflected in Summary of 10 Percent Biennial Base Reduction Options - House, Agency Option No. 1 (see Section 7). The division provides media outreach, organizes and staffs environmental trade shows, and informs school districts and public fleet operators about any grants and incentives available for alternative-fuel vehicles and refueling infrastructure. Because federal funds for these purposes have decreased from \$1.4 million received in fiscal year 2013 to none expected in the 2016-17 biennium, grant and incentive opportunities are increasingly scarce. The agency is now requesting that a portion of this amount be restored. See Items not Included in the Recommendations – House, No. 1.
5. **Fund Balances in the Oil and Gas Regulation and Cleanup Account No. 5155.** The Comptroller's Biennial Revenue Estimate (BRE) anticipates \$144.5 million in 2016-17 revenues compared to \$141.6 million in 2016-17 appropriations and expected benefits costs in House Bill 1 as Introduced. Agency exceptional items from Fund 5155 total \$9.6 million, which does not include related benefits costs for requested FTEs. Also, the agency requests that any collections in revenues in excess of the BRE in its rider request for contingent revenue not be used to fund agency exceptional items given the unpredictability of such revenue materializing given the volatility of oil prices and production. See Agency Exceptional Items and the rider request in Items not Included in the Recommendations – House, No. 12
6. **Budget Authority.**

Recommendations realign certain budget flexibilities formerly provided the agency to standard budget authority available to a standard agency in Article IX provisions of the General Appropriations Bill. Recommendations delete the following riders from the agency's bill pattern:

- a. **Rider 3, Transfer Authority.** Article IX, §14.01, Appropriation Transfers, allows the agency to transfer up to 20 percent from one appropriation item to another appropriation item at the agency's discretion. The agency may exceed the 20 percent discretionary transfer authority with approval of the Governor and the Legislative Budget Board.
- b. **Rider 4, Unexpended Balances Between Fiscal Years within the Biennium.** The agency still has the standard authority to carry forward unexpended balances of appropriations for capital budget provisions pursuant to Article IX, §14.03. Also, Article

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IX, §14.05, Unexpended Balance Authority Between Fiscal Years within the Same Biennium, allows the agency to carry forward balances between fiscal years with Legislative Budget Board approval.

Recommendations modify Rider 2, Capital Budget to remove the exemption from limitations on transferability in Article IX, §14.03, Limitation on Expenditures – Capital Budget. Article IX, §14.03 provisions include limiting increases in expenditures for capital budget items of appropriation to 25 percent of each capital budget item, whereas formerly the agency had unlimited authority to increase expenditures, subject to a cap of 125 percent of each year's aggregate capital budget appropriation. The agency may exceed capital budget provisions with approval of the Governor and the Legislative Budget Board. See Items not Included in Recommendations – House, Nos. 7, 8 and 9.

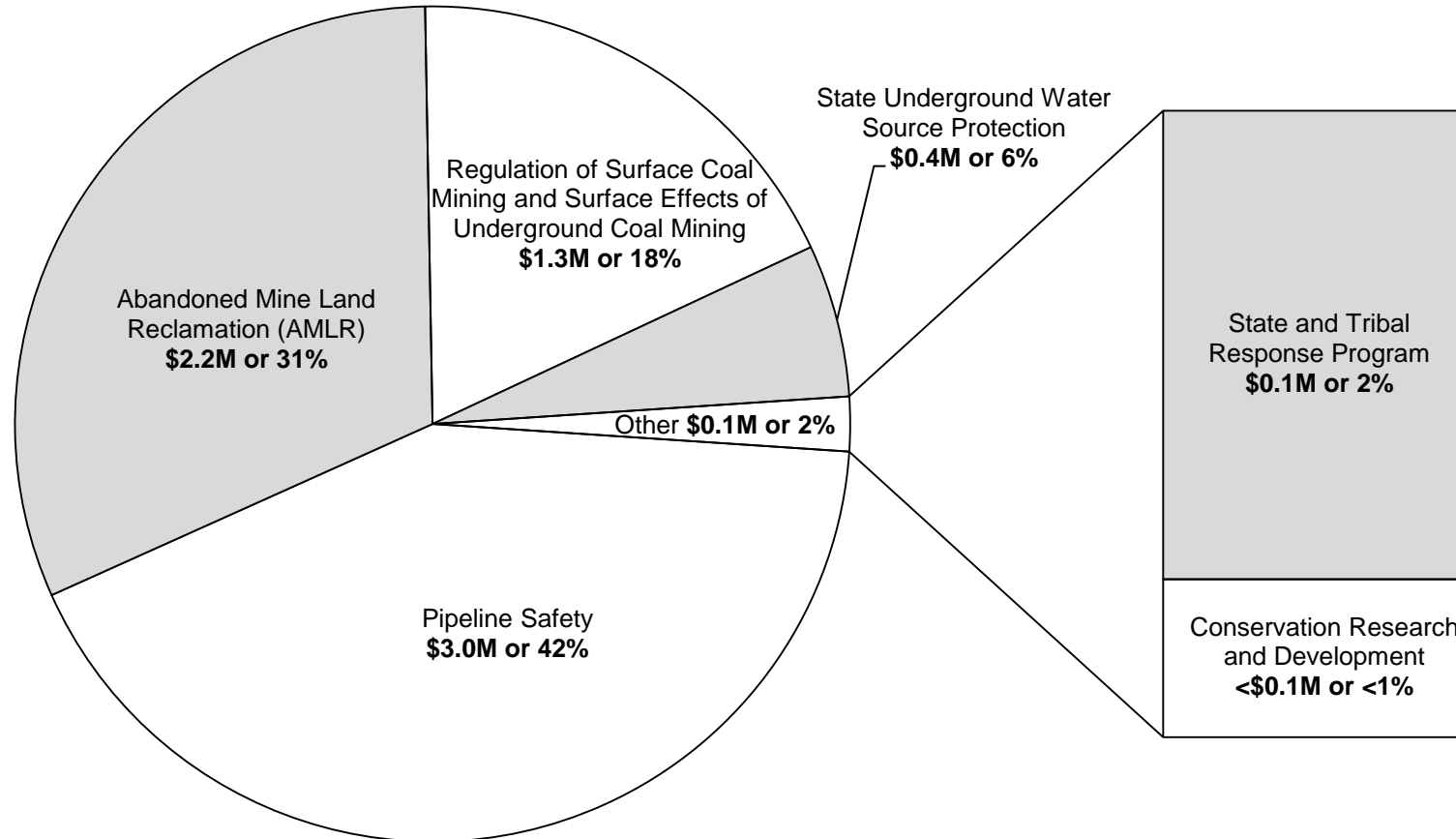
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**Railroad Commssion
Performance Measure Highlights - House**

	Expended 2013	Estimated 2014	Budgeted 2015	Recommended 2016	Recommended 2017
<ul style="list-style-type: none"> <i>Number of Wells Monitored</i> <p><i>Measure Explanation: The continued growth in the use of fracking has contributed to the numbers of oil and gas wells statewide. The agency projects the increase to continue at a rate between 4 and 5 percent statewide.</i></p>	405,593	419,792	445,000	460,000	480,000
<ul style="list-style-type: none"> <i>Number of Oil and Gas Facility Inspections Performed</i> <p><i>Measure Explanation: The agency exceeded its target of inspecting 116,110 facilities in both FY 2013 and FY 2014 , and reports the number of violations identified has been trending downward, indicating the agency's inspection activity has helped the industry become more compliant with agency rules.</i></p>	125,878	130,812	118,000	118,000	118,000
<ul style="list-style-type: none"> <i>Number of Orphaned Wells Plugged with the Use of State-Managed Funds</i> <p><i>Measure Explanation: The agency reports that is has been unable to meet its target of plugging 1,200 wells each fiscal year of the 2014-15 biennium because there is a shortage of available plugging contractors. In FY 2014, the agency awarded 64 contracts to 28 contractors, with 16 of the contractors receiving multiple awards. Multiple awards to the same contractors has resulted in wells taking longer to be plugged.</i></p>	778	563	875	875	875
<ul style="list-style-type: none"> <i>Number of Documents Provided to Customers by Information Services</i> <p><i>Measure Explanation: The increase in the amount of oil and gas information available on the agency's website continues to contribute to the decline in the number of hard copy documents the agency must provide.</i></p>	621,334	523,246	426,400	349,650	286,710

Section 3

Railroad Commission
Summary of Federal Funds (Estimated 2014) - House
TOTAL = \$7.1M



Note: Amounts and percentages shown may sum greater/less than actual total due to rounding.

Section 3**Railroad Commission
Significant Federal Funds Changes - House**

CFDA No.	Program Name	2014-15 Base	2016-17 Recommended	Recommended Over/(Under) Base	Comments
15.250.000	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	\$2,601,439	\$2,600,000	(\$1,439)	
15.252.000	Abandoned Mine Land Reclamation (AMLR)	\$4,206,867	\$3,950,000	(\$256,867)	
20.700.000	Pipeline Safety	\$5,827,045	\$5,657,508	(\$169,537)	
81.086.000	Conservation Research and Development	\$37,715	\$0	(\$37,715)	

Section 4

**Railroad Commission of Texas (RRC)
Performance Review and Policy Report Highlights - House**

Reports & Recommendations	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session
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NO RELATED RECOMMENDATIONS

Section 5

Railroad Commission Rider Highlights - House

2. **Capital Budget.** Recommendations modify the rider to remove the exemption from limitations on transferability in Article IX, §14.03, Limitation on Expenditures – Capital Budget [see Selected Fiscal and Policy Issue - House No. 6]. Recommendations also modify the rider to reflect recommended funding levels for Data Center Services [see Selected Fiscal and Policy Issue - House No. 1(b)] and vehicle replacements [see Selected Fiscal and Policy Issue - House No. 1(c)]. Also added was a line item for PC and Laptop Replacements. See Items not Included in the Recommendations – House No. 7.
3. **(former) Transfer Authority.** Recommendations delete the rider. See Selected Fiscal and Policy Issue - House No. 6. See Items not Included in the Recommendations – House No. 8.
3. **(current) Appropriations Limited to Revenue Collections and Contingent Revenue: LPG/CNG/LNG Fees.** Recommendations modify the rider to reflect recommended funding levels from General Revenue in Strategy B.2.1, Regulate Alternative Energy Resources (\$354,618 in FY 2014 and \$400,181 in FY 2015). See Items Not Included in the Recommendations – House, No. 10.
4. **(former) Unexpended Balances Between Fiscal Years within the Biennium.** Recommendations delete the rider. See Selected Fiscal and Policy Issue – House, No. 6 and Items not Included in Recommendations – House, No. 9.
4. **(current) Liquid Propane (LP) Gas Training and Examination Renewal Fees.** Recommendations modify the rider to reflect recommended funding levels.
5. **(current) Appropriation Limited to Revenue Collections: Surface Mining Permits and Contingency Appropriation for Fee Increase.** Recommendations modify the rider to remove language requiring the agency to provide information to the Comptroller documenting fee increases to support contingent revenue requirements. The agency complied with this requirement and the funding and related 2 FTEs are part of the agency's baseline request.
6. **(current) Appropriation for Pipeline Safety Fees.** Recommendations modify the rider to remove language requiring the agency to implement new fee increases to support contingent revenue requirements and to reflect recommended funding levels. The agency complied with this requirement and the funding is part of the agency's baseline request. The agency is still required to generate revenue sufficient to cover identified appropriations and Other Direct and Indirect Costs.

Section 5

7. **(former) Appropriation: Abandoned Mine Land Funds.** Recommendations delete the rider. The agency indicates there are no funds remaining in the Land Reclamation Fund Account No. 454 (Federal Funds). The last available balances (\$246,545) were expended in the 2014-15 biennium.
7. **(current) Capital Budget Expenditures: Federal Funds and Appropriated Receipts.** Recommendations modify the rider to make notification requirements of federal funds and appropriated receipts received to purchase capital budget items in excess of Article IX limitations an annual notification, within 60 days of the close of the fiscal year, than a required notification upon receipt. (See Items Not Included in Recommendations – House, No. 11.)
12. **(current) High-Cost Housing Salary Supplement.** Recommendations modify the rider to clarify the salary supplement provided to employees living in those parts of the state with high costs of living due to the shale gas boom are provided the supplement based upon where the employee lives, rather than where the employee works.
13. **(former) Sunset Contingency.** Recommendations delete the rider. Sunset legislation (HB 1675) enacted by the Eighty-third Legislature continued operations of the Railroad Commission (RRC) in the 2014-15 biennium. The RRC is scheduled for another Sunset review during the 2016-17 biennium. (See Items Not Included in Recommendations – House, No. 6.)
16. **(former) Contingent Revenue Appropriation: General Counsel Enforcement.** Recommendations delete the rider. In the 2014-15 biennium, the RRC increased the Pipeline Safety Fee and Oil and Gas Regulation and Cleanup Fee Surcharge in amounts sufficient to cover the 2014-15 appropriations provided in this rider. The agency will be continuing the fee in the 2016-17 biennium. Amounts governed by the previous rider are in the 2016-17 baseline request since the rider requirements were met.

Section 6

**Railroad Commission
Items not Included in Recommendations - House**

2016-17 Biennial Total	
GR & GR- Dedicated	All Funds

Agency Exceptional Items - In Agency Priority Order

1. **Restore Selected LBB Reductions.** The agency requests that a portion of funding from General Revenue (\$1,391,012) and the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155 (\$4,694,628), including 7.0 FTEs that was reduced in one-time IT Modernization Implementation Costs (\$6.3 million - see Selected Fiscal and Policy Issue – House No. 1(a) and in the Alternative Fuels Research and Education Division (AFRED, \$1.9 million – see Selected Fiscal and Policy Issue – House No. 4 and Summary of 10 Percent Biennial Base Reduction Options – House, Agency Option No. 1) be restored for other agency priorities, including conducting safety inspections, reducing backlogs, and maintaining key information systems. A portion of this request would also restore a portion funding to AFRED programs, in alignment with revised agency priorities.
 - a) Promote Energy Resource Development (A.1.1), \$1,464,925 from the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155;
 - b) Promote Alternative Energy Resources (A.2.1), \$398,320 from General Revenue for the Alternative Fuels Research and Education Division (AFRED), including 3.0 FTEs. See Selected Fiscal and Policy Issue - Senate No. 4;
 - c) Ensure Pipeline Safety (B.1.1), \$265,953 from General Revenue;
 - d) Pipeline Damage Prevention (B.1.2), \$41,905 from General Revenue;
 - e) Regulate Alternative Energy Resources (B.2.1), \$904,479 from General Revenue, including 4.0 FTEs;
 - f) Oil and Gas Monitoring and Inspections (C.1.1), \$1,891,568 from the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155;
 - g) Surface Mining Monitoring and Inspections (C.1.2), \$152,195 from General Revenue;
 - h) Oil and Gas Remediation (C.2.1), \$409,044 from the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155;
 - i) Oil and Gas Well Plugging (C.2.2), \$468,685 from the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155;

	\$	6,085,640	\$	6,085,640
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Section 6

**Railroad Commission
Items not Included in Recommendations - House**

	2016-17 Biennial Total	
	GR & GR- Dedicated	All Funds
j) Surface Mining Reclamation (C.2.3), \$26,480 from General Revenue; and,		
k) Public Information Services (D.1.1), \$62,086 from the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155.		
2. Enhanced Application Support - Help Desk. Funding for 11.0 FTEs to provide Information Technology (IT) help desk support for the issuance of drilling permits, pipeline safety inspections, and delivery of regulatory services via online systems. Additionally, these staff would reduce dependence on contractors for proprietary systems and system support. Of the amount requested, \$1.1 million would be funded from the agency's General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155, and \$0.3 million would be from General Revenue.	\$ 1,418,968	\$ 1,418,968
3. Increase Staffing - Energy Resource Development. Funding for 33.8 FTEs in the technical permitting and administrative compliance areas of the Oil and Gas division to administer drilling permit applications which have grown from 1,800 per month to 3,000 per month since fiscal year 2011. Current backlogs are from 3 to 25 days per application, and 6 to 10 months in well completion reports. The request would be funded completely from the agency's General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155.	\$ 3,598,370	\$ 3,598,370
4. Pipeline Safety - Specialized Inspections. Funding for 44.5 FTEs to conduct safety evaluations of pipeline operators. Several types of specialized safety evaluations require teams of at least two inspectors. Of the amount requested, \$3 million would be funded from General Revenue, and another \$2 million would be from Federal Funds.	\$ 3,036,534	\$ 5,060,890
5. Replace Microfiche Reader-Printers. Funding from the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155 to replace 10 15-year-old microfilm and microfiche reader-printers in order to continue to access certain oil and gas information that is only available in micro format.	\$ 150,000	\$ 150,000

Section 6

**Railroad Commission
Items not Included in Recommendations - House**

	<u>2016-17 Biennial Total</u>	
	<u>GR & GR- Dedicated</u>	<u>All Funds</u>
6. Sunset Review – HB 1675. Funding for 2.0 FTEs and \$1.5 million to implement the provisions of HB 1675, 83rd Legislature, which requires the RRC to pay costs incurred by the Sunset Advisory Commission (SAC) for its next review of the RRC. Of this amount, \$273,294 is SAC-identified costs to reimburse 4 FTEs for a 7-month review over the biennium. In addition to this amount, the RRC is requesting \$1,267,258 for 2 FTEs (an auditor and a quality control specialist) and professional services for forensic auditing services. Because the legislation specifies that the next Sunset review be a forensic audit, it is the RRC’s position that a forensic audit implies fraudulent activity and outside services would be needed to assist the agency in its response. The request would be funded completely from General Revenue.	\$ 1,540,552	\$ 1,540,552
7. Rider 2, Capital Budget. The agency requests restoring unlimited transferability provisions to the capital budget, subject to an aggregate cap on expenditures of 125 percent of appropriations each fiscal year. Also, The agency is asking not to have a separate appropriation item for "PC and Laptop Leasing," and instead would like to include those amounts in the "Technology Replacement and Upgrades" appropriation Item.	\$ -	\$ -
8. Rider 3, Transfer Authority. The agency requests restoring unlimited transferability provisions between strategies.	\$ -	\$ -
9. Rider 4, Unexpended Balances Between Fiscal Years within the Biennium. The agency requests restoring unexpended balance authority within the biennium.	\$ -	\$ -
10. Rider 5, Appropriations Limited to Revenue Collections and Contingent Revenue: LBG/CNG/LNG Fees. The agency is requesting a biennial target for contingent revenue above the Biennial Revenue Estimate, rather than an annual target.	\$ -	\$ -
11. Rider 9, Capital Budget Expenditures: Federal Funds and Appropriated Receipts. The agency requests retaining its current requirement to notify the Legislative Budget Board and the Governor upon receipt of federal funds and appropriated receipts received to purchase capital budget items in excess of Article IX limitations, rather than in an annual notification after the close of each fiscal year. See Rider Highlights – House No. 9.	\$ -	\$ -

Section 6

**Railroad Commission
Items not Included in Recommendations - House**

12. **New Rider, Appropriations: Oil and Gas Regulation and Cleanup Account Fees.** The agency has included a rider request for appropriation authority in Fund 5155 for collections in excess of the Comptroller's Biennial Revenue Estimate (BRE). Due to current conditions affecting oil prices and production, at this time the agency cannot estimate how much might be collected in excess of the BRE.

The agency also asks that amounts collected may be spent on capital budget items without limitation, provided any expenditures for major information resources projects have been reviewed and approved by the Legislative Budget Board and the Quality Assurance Team.

2016-17 Biennial Total			
GR & GR- Dedicated	All Funds		
Total, Items Not Included in the Recommendations	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: right;">\$ 15,830,064</td> <td style="width: 50%; text-align: right;">\$ 17,854,420</td> </tr> </table>	\$ 15,830,064	\$ 17,854,420
\$ 15,830,064	\$ 17,854,420		

Section 7

**Railroad Commission
Summary of 10 Percent Biennial Base Reduction Options - House**

Priority	Item	Description/Impact	Biennial Reduction Amounts				Reduction as % of Program GR/GR-D Total	Included in Intro Bill?
			GR and GR-Dedicated	All Funds	FTEs	Potential Revenue Loss		
1	Promote Alternative Energy Resouces	This reduction would eliminate General Revenue and General Revenue Dedicated funding for the Alternative Fuels Research & Education Division (AFRED). This division provides media outreach, organizes and staffs trade, environmental, and consumer product shows, participates in propane safety seminars and events, educates propane marketers, and informs school districts and public fleet operators about grants and incentives available for alternative-fueled vehicles and refueling infrastructure.	\$2,040,293	\$2,040,293	7.0	\$0	100%	Yes
2	Pipeline Online Permitting Project	This would reduced funds that were originally appropriated for the Pipeline Online Permitting Project that were reallocated back to the program to assist in dealing with the increasing demands placed upon the Pipeline Safety Program.	\$637,076	\$637,076		\$0	71%	No
3	Oil and Gas Permitting and Online Filing Project	This reduction would eliminate funds originally appropriated to the Commission from HB 1025, 83rd Legislature, R.S. 2013 that were used to develop the Oil and Gas Permitting and Online Filing System that was reallocated to assist in meeting the high demands placed on the Oil and Gas Division.	\$5,213,494	\$5,213,494		\$0	92%	No
4	Pipeline Online Permitting Project	This would reduced funds that were originally appropriated for the Pipeline Online Permitting Project that were reallocated back to the program to assist in dealing with the increasing demands placed upon the Pipeline Safety Program.	\$1,300,055	\$1,300,055		\$0	100%	No
5	Oil and Gas Permitting and Online Filing Project	This reduction would eliminate funds originally appropriated to the Commission from HB 1025, 83rd Legislature, R.S. 2013 that were used to develop the Oil and Gas Permitting and Online Filing System that was reallocated to assist in meeting the high demands placed on the Oil and Gas Division.	\$1,428,073	\$1,428,073		\$0	100%	No
6	Agency Enforcement Project	HB 1025, 83rd Legislature, R.S. 2013, provided funds to develop the Agency Enforcement Project for the 2014-2015 biennium. This reduction would reduce the amount of funds available to the program to meet the increasing demands for monitoring and inspections for the 2016-2017 biennium.	\$2,662,735	\$2,662,735		\$0	70%	No
7	GIS Upgrade Project	Funds that were appropriated by HB 1025, 83rd Legislature, R.S., 2013, that were used to develop the GIS Upgrade project in 2014-2015 biennium and relocated back to the program in 2016-2017 biennium would be reduced by this reduction.	\$2,500,000	\$2,500,000		\$0	85%	No
TOTAL, 10% Reduction Options			\$15,781,726	\$15,781,726	7.0	\$0		

Section 7

**Railroad Commission
Summary of 10 Percent Biennial Base Reduction Options - House
Agency 10% Reduction Options by Category of Reduction**

